

Message Text

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AMEMBASSY THE HAGUE

C O N F I D E N T I A L BONN 21162

ALSO FOR USEEC

E.O. 11652: GDS
TAGS: EEC, ECIN, YO, GW
SUBJ: FRG AND EC/YUGOSLAV ECONOMIC RELATIONS

REF: (A) BONN 20872, (B) STATE 301332, (C) BRUSSELS
14960, (D) BRUSSELS 17583, (E) BRUSSELS 19131

1. SUMMARY: STATE SECRETARY ROHWEDDER WAS IN BELGRADE
DECEMBER 14-16.
THE TRADE DEFICIT AND UPCOMING
EC/YUGOSLAVIA NEGOTIATIONS WERE THE MAIN TOPICS. END SUMMARY.

2. STATE SECRETARY ROHWEDDER OF THE FRG ECONOMICS
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PAGE 02 BONN 21162 221557Z

MINISTRY WAS IN YUGOSLAVIA FROM DECEMBER 14-16 AT
THE INVITATION OF YUGOSLAV FOREIGN TRADE MINISTER
LUDYIGER. ROHWEDDER ALSO MET WITH YUGOSLAV MINISTER
FOR EC RELATIONS JANKO SMOLE AND DR. SEFER, VICE
PRESIDENT, FEDERAL EXECUTIVE COUNCIL. THE MAIN TOPICS
OF THE DISCUSSIONS WERE THE UPCOMING EC/YUGOSLAV
NEGOTIATIONS CONCERNING ECONOMIC COOPERATION, AND THE

GROWING TRADE DEFICIT BETWEEN THE FRG AND YUGOSLAVIA.

3. THE YUGOSLAVS ARE CONCERNED ABOUT RECENT TRADE DEVELOPMENTS. IN 1976 DESPITE A LARGE TRADE DEFICIT WITH THE FRG, YUGOSLAVIA HAD A CURRENT ACCOUNT SURPLUS, DUE TO REMITTANCES BY YUGOSLAV WORKERS IN THE FRG AND EXPENDITURES BY GERMAN TOURISTS IN YUGOSLAVIA. SO FAR IN 1977 FRG EXPORTS TO YUGOSLAVIA HAVE INCREASED ABOUT 28 PERCENT WHILE IMPORTS FROM YUGOSLAVIA DECLINED ABOUT 3 PERCENT. AS A RESULT YUGOSLAVIA MAY RUN A CURRENT ACCOUNT DEFICIT VIS-A-VIS THE FRG IN 1977.

4. EC/YUGOSLAVIA RELATIONS: ALTHOUGH THE GERMAN POSITION CONCURS WITH PARA 2 OF REFTEL B, THE FRG DOES NOT ENVISION ANY SIGNIFICANT TRADE POLICY CONCESSIONS FROM THE EC IN THE UPCOMING AGREEMENT. NO SPECIAL PREFERENCES ARE POSSIBLE FOR YUGOSLAVIA, BECAUSE ITS NON-ALIGNED STATUS PRECLUDES ASSOCIATION OR ACCESSION STATUS WITH THE EC. PRESENTLY, YUGOSLAVIA IS ELIGIBLE FOR MOST OF THE TARIFF PREFERENCES THE EC ACCORDS DEVELOPING COUNTRIES, AND THE FRG WILL SUPPORT MAINTENANCE OF THE STATUS QUO IN THIS REGARD. WITH THE EXCEPTION OF SOME WORDING CONCERNING INDUSTRIAL COOPERATION, THE GERMANS DON'T EXPECT TOO MUCH DIFFERENCE BETWEEN THE NEW COOPERATION AGREEMENT AND THE PREVIOUS ONE.
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PAGE 03 BONN 21162 221557Z

5. ALTHOUGH WE HAVE NO INDICATION OF SUPPORT FROM THE FRG FOR MORE FINANCIAL AID BEYOND THE 50 MILLION UNITS OF ACCOUNT PROMISED BY EC TO YUGOSLAVIA LAST YEAR, GERMAN VIEW OF THE SITUATION TENDS TO CONFIRM ASSESSMENT OF PARA 3 OF REFTEL C.

6. BILATERAL RELATIONS: THE FRG IS STILL INTERESTED IN SIGNING AN AGREEMENT CONCERNING THE PROTECTION OF INVESTMENTS. SO FAR THE TWO SIDES HAVE NOT SETTLED THE QUESTION POSED BY GERMAN INSISTENCE THAT THEIR INVESTORS BE ACCORDED THE SAME DEGREE OF PROTECTION AS ALL OTHER INVESTORS IN YUGOSLAVIA.
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